

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05 PA-01

RSC-01 PRS-01 SP-02 SS-15 AID-05 COME-00 EB-04 FRB-01

TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01

STR-01 CEA-01 AGR-05 NIC-01 /076 W

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 7617

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

USMISSION NATO

DIA WASHDC

C O N F I D E N T I A L ROME 14624

DIA FOR A2 AND D15

PASS TREASURY

E.O. 11652: GDS

TAGS: PINT, IT

SUBJECT: ITALIAN GOVERNMENT CRISIS

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REF: ROME 14434

1. SUMMARY. FATE OF CENTER-LEFT FORMULA MAY BE DETERMINED IN MEETINGS TONIGHT BETWEEN FANFANI AND COALITION PARTY LEADERS. WHILE CHRISTIAN DEMOCRATIC DIFFERENCES WITH SOCIALISTS ON ECONOMIC ISSUES MAY IN PRINCIPLE HAVE NARROWED, KEY POLITICAL ISSUES OF RELATIONS WITH COMMUNISTS AND LABOR UNIONS REMAIN MAJOR OBSTACLES. EMBASSY SOURCES GENERALLY PESSIMISTIC THAT FORMULA WILL BE SALVAGED, BUT CANNOT VISUALIZE VIABLE ALTERNATIVE WHICH WOULD NOT BE LIKELY TO LEAD TO EARLY DISSOLUTION OF PARLIAMENT. END SUMMARY.

2. THOUGH SOCIALIST MAJORITY FACTIONS WHICH FAVOR ANOTHER EDITION OF CENTER-LEFT SUCCEEDED AS EXPECTED IN GETTING PARTY DIRECTORATE TO APPROVE CONTINUATION OF NEGOTIATIONS WITH FANFANI, RESULTS OF MEETING RAISE SERIOUS DOUBTS WHETHER DEMARTINO WILL BE ABLE TO BRING HIS PARTY ALONG. EVEN TEN-POINT PROGRAM WHICH EMBODIED COMPROMISES WITH STRONG MINORITY FACTIONS WAS NOT VOTED UNANIMOUSLY. MINORITY FACTIONS, SENSING OPPORTUNITY TO HARVEST VOTES AT REGIONAL AND LOCAL ELECTIONS NEXT SPRING, WANT PARTY TO GO INTO OPPOSITION TO HAVE COMPLETE FREEDOM OF ACTION IN CAMPAIGN. FOR INTERIM, MINORITY SPOKESMEN HAVE MADE CLEAR THEIR PREFERENCE FOR A DC MONOCOLORE ADMINISTRATION, WITH SELECTIVE EXTERNAL SUPPORT FROM THE PSI. CONDITION OF SUPPORT WOULD BE GUARANTEE THAT REGIONAL ADMINISTRATIVE ELECTIONS BE HELD ON SCHEDULE.

3. SOCIAL DEMOCRATS CONTINUE TO EMPHASIZE POLITICAL DIFFERENCES WITH PSI AND THEIR UNAVAILABILITY FOR ANY ALTERNATIVE TO A CENTER-LEFT WHICH WOULD HAVE LITTLE PURPOSE BEYOND SURVIVING UNTIL AFTER THE SPRING REGIONAL ELECTIONS. ISSUES PSDI RAISES AS TOUCHSTONES OF PSI GOOD FAITH FOR NEW CENTER LEFT ARE CLOSURE TO THE COMMUNISTS AND REESTABLISHMENT OF CENTER-LEFT COALITIONS AT LOCAL LEVEL. ECONOMIC DIFFERENCES WITH PSI ARE NOT RPT NOT MAJOR STUMBLING BLOCK; INDEED, RESPECTIVE VIEWS ON MOST ECONOMIC POLICY ISSUES ARE REASONABLY CLOSE. PREFERENCE OF MAJORITY PSDI LEADERSHIP FOR EARLY NATIONAL ELECTIONS PERSISTS. RELIABLE SOURCE IN PARTY BELIEVES FANFANI HAS ALREADY FAILED, AND WILL END SHORTLY BY RESIGNING COMMISSION TO LEONE.

4. PRI DIRECTORATE MEETING YESTERDAY REEMPHASIZED BASIC
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ECONOMIC ISSUES OF INFLATION AND INTERNATIONAL PAYMENTS
IMBALANCE, WHICH WILL DETERMINE THEIR AVAILABILITY TO REENTER
COALITION.

5. CHRISTIAN DEMOCRAT POSITION EXPRESSED IN OCTOBER 21
LETTER FROM FANFANI TO COALITION PARTNERS. LETTER CONSTI-
TUTES LAST DITCH DC ATTEMPT TO SALVAGE CENTER-LEFT FORMULA
AND, FAILING THAT, TO PUT ON RECORD THE FUNDAMENTAL POINTS

AT ISSUE. WHILE ECONOMIC DIFFERENCES WITH PSI AND, TO LESSER EXTENT, WITH REPUBLICANS ARE CITED, FANFANI LETTER MAKES CLEAR THAT DC CONSIDERS THESE PROBLEMS SOLUBLE AND IS WILLING TO BE FORTHCOMING ON BROAD RANGE OF SOCIALIST DESIRES IN ECONOMIC AND SOCIAL FIELD. HOWEVER, FANFANI CITES POLITICAL QUESTIONS OF RELATIONS WITH THE (PCI) OPPOSITION AT THE NATIONAL AND LOCAL LEVEL AND PSI UNWILLINGNESS TO ACCEPT ANY POLICY NOT FULLY SATISFACTORY TO LABOR UNIONS AS MAJOR OBSTACLES TO DC-PSI ACCORD. EDITORIAL IN DC PARTY DAILY AMPLIFIES FANFANI LETTER WITH WARNING THAT ANY ALTERNATIVE SOLUTION TO REESTABLISHMENT OF CENTER-LEFT WOULD BE QUOTE TEMPORARY AND PROBABLY PRECARIOUS, UNQUOTE AND OPEN HINT THAT PRESENT CRISIS MIGHT LEAD TO EARLY DISSOLUTION OF PARLIAMENT.

6. DC SOURCES GENERALLY PESSIMISTIC THAT CENTER-LEFT CAN BE REFORMED, BUT ARE EQUALLY CONCERNED AT LACK OF VIABLE ALTERNATIVE FORMULAS TO TAKE COUNTRY THROUGH PRESENT ECONOMIC DIFFICULTIES. MOST PREDICT THAT IF PSI IN MEETING TONIGHT WITH FANFANI SHOWS WILLINGNESS TO REFORM CENTER-LEFT, NEGOTIATIONS WILL CONTINUE. OTHERWISE, FANFANI IS EXPECTED TOMORROW TO ANNOUNCE HIS INABILITY TO PUT COALITION BACK TOGETHER.

7. COMMENT. SITUATION, AT LEAST INsofar AS POSSIBILITY OF CONTINUING CENTER-LEFT FORMULA, RAPIDLY COMING TO A HEAD. FANFANI'S LETTER TO PARTIES WAS A SHREWD MANEUVER, WHICH AIMS AT FIXING THE BURDEN OF DECIDING THE FUTURE OF THE CENTER-LEFT FORMULA SQUARELY ON THE PSI. SOCIALIST DIRECTORATE MEETING TOMORROW MAY BE DEFINITIVE. MEANWHILE, EMBASSY SOURCES AS WELL AS MOST INFORMED OBSERVERS IN PRESS, BELIEVE THAT IF CENTER-LEFT CANNOT BE SALVAGED, PARTICIPANTS WILL STUMBLE THROUGH PERIOD OF WEAK GOVERNMENT LEADING TO DISSOLUTION OF PARLIAMENT AND EARLY ELECTIONS. VOLPE
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